

AR28

Q.M.I. MINERALS LIMITED



Annual Report 1965

INCLUDING THE ANNUAL REPORT OF
KLUKWAN IRON ORE CORPORATION
FOR THE YEAR ENDED
DECEMBER 31, 1965

Q.M.I. MINERALS LIMITED

EXECUTIVE OFFICE

7 KING STREET EAST
TORONTO, ONTARIO

DIRECTORS

R. CAMPBELL
NORMAN B. DAVIS
H. J. FRASER
W. J. TOUGH
G. T. N. WOODROOFFE

OFFICERS

G. T. N. WOODROOFFE, *President*
W. J. TOUGH, *Vice-President*
A. C. CALLOW, *Secretary*
J. T. McWHIRTER, *Treasurer*

TRANSFER AGENTS

GUARANTY TRUST COMPANY OF CANADA
TORONTO, ONTARIO

AUDITORS

CLARKSON, GORDON & CO.
TORONTO, ONTARIO

ANNUAL MEETING OF SHAREHOLDERS

ELIZABETH ROOM,
KING EDWARD SHERATON HOTEL
37 KING STREET E., TORONTO, ONTARIO
WEDNESDAY, MAY 25, 1966
10.30 o'clock (Toronto Time)

Q.M.I. MINERALS LIMITED

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

The financial statements of your Company for the year ended December 31, 1965 and the auditors' report thereon are submitted herewith.

Financial

Proceeds from the sale of 26,700 shares of Quebec Lithium Corporation and your Company's interest in Mineraco de Ouro Jacobina Limitada to Westfield Minerals Limited resulted in an increase of \$186,604 in the working capital. The indicated market value of investments also increased by \$235,600 to \$2,491,200.

Kirkham Molybdenite Property

In consideration of a cash payment of \$10,000, an option was granted to purchase the mining claims held by your Company in

Clarendon Township for \$50,000. The option is exercisable on or before March 26, 1967.

Klukwan Iron Ore Corporation

Klukwan has received no indication when the property under lease to United States Steel Corporation will be brought into production. In the meantime, it continues to receive royalty payments at the rate of \$45,000 per annum.

A copy of the Annual Report of Klukwan for the year ended December 31, 1965 is appended for your information.

On behalf of the Board,

G. T. N. WOODROOFFE,
President.

Toronto, Ontario,
April 28, 1966.

Q.M.I. MINERALS LIMITED

(Incorporated under the laws of Canada)

STATEMENT 1

BALANCE SHEET — DECEMBER 31, 1965

(with comparative figures at December 31, 1964)

ASSETS

	1965	1964
Current:		
Cash	\$ 200,976	\$ 33,099
Short term investments, at cost (approximate market value)	319,574	301,223
Accounts receivable and accrued interest	1,311	2,680
	<u>521,861</u>	<u>337,002</u>
Investment in subsidiary, associated and other companies at cost less amounts written off (statement 3):		
Subsidiary companies —		
Shareholdings (note 1)	321,052	321,052
Advances		4,499
Associated and other companies —		
Shareholdings	1,310,994	1,431,513
	<u>1,632,046</u>	<u>1,757,064</u>
Fixed, at cost:		
Building and equipment	118,778	118,778
Less accumulated depreciation	51,022	47,456
	<u>67,756</u>	<u>71,322</u>
Land	6,722	6,722
	<u>74,478</u>	<u>78,044</u>
	<u>\$2,228,385</u>	<u>\$2,172,110</u>

LIABILITIES

Current:		
Accounts payable	\$ 42	\$ 1,247
Shareholders' equity:		
Capital stock —		
Authorized: 1,200,000 shares of no par value		
Issued: 1,012,020 shares	2,005,731	2,005,731
Earned surplus (statement 2)	222,612	165,132
	<u>2,228,343</u>	<u>2,170,863</u>
	<u>\$2,228,385</u>	<u>\$2,172,110</u>

On behalf of the Board:

G. T. N. WOODROOFFE, Director.

NORMAN B. DAVIS, Director.

See notes to financial statements.

Q.M.I. MINERALS LIMITED

STATEMENT 2

STATEMENTS OF PROFIT AND LOSS AND EARNED SURPLUS

For the Year Ended December 31, 1965

(with comparative figures for 1964)

PROFIT AND LOSS

	1965	1964
Income:		
Interest on short term investments	\$ 14,867	\$ 10,215
Dividends —		
Subsidiary company — Mineracao de Ouro de Jacobina Ltda.		4,335
Associated and other companies	60,406	51,343
Other	9,400	9,234
	<u>84,673</u>	<u>75,127</u>
Expenses:		
Administration	26,759	30,054
Depreciation	3,566	3,754
	<u>30,325</u>	<u>33,808</u>
Net profit for the year (note 2)	<u>\$ 54,348</u>	<u>\$ 41,319</u>
Expenses during the year include the following:		
Legal fees	\$ 75	\$ 1,519
Directors' fees	5,000	5,000

EARNED SURPLUS

Balance, December 31, 1964	\$165,132	\$ 86,496
Net profit for the year	54,348	41,319
Profit (loss) on sale of investments (net)	(28,167)	32,280
Profit on sale of subsidiary company — Mineracao de Ouro de Jacobina Ltda. (note 1)	21,299	
Option payment received on mining property written off in prior years (note 3)	10,000	
Recovery of advances to an associated company written off in prior years		5,037
Balance, December 31, 1965 (accumulated since January 1, 1963)	<u>\$222,612</u>	<u>\$165,132</u>

See notes to financial statements.

Q.M.I. MINERALS LIMITED

STATEMENT 3

STATEMENT OF INVESTMENT IN SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES DECEMBER 31, 1965

(with comparative figures at December 31, 1964)

	December 31, 1965			December 31, 1964		
	Number of shares	% of outstanding capital	Indicated market value (note A)	Cost less amounts written off	Advances	Number of shares
Subsidiary companies:						
Klukwan Iron Ore Corporation (note B)	2,840,000	(note B)		\$ 321,052		2,840,000
Mineracao de Ouro de Jacobina Ltda.						175
						\$ 321,052
Total investment in subsidiary companies				\$ 321,052		\$ 321,052
Associated and other companies:						
Dominion Magnesium Limited	7,000		\$ 56,000	\$ 98,000		7,000
Falconbridge Nickel Mines Limited	16,759		1,810,000	433,196		16,759
Quebec Cobalt and Exploration Limited	61,500		86,100	7,072		61,500
Quebec Lithium Corporation	172,748		535,500	763,576		199,448
Other			3,600	9,150		11,650
Total investment in associated and other companies			\$2,491,200	\$1,310,994		\$1,431,513

NOTES:

- The market prices shown above are based on closing market prices at December 31, 1965. Because of the number of shares involved, the indicated market value of certain securities is not necessarily indicative of the amount that could be realized if the securities were to be sold.
- The company owns 94.7% of the Class A shares of Klukwan Iron Ore Corporation; this represents a 91.9% voting interest and a 64.5% interest in profits of Klukwan.

Q.M.I. MINERALS LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1965

1. The company's investment in the Klukwan Iron Ore Corporation, the subsidiary company, is carried at cost as it has not incurred any profit or loss to date. The investment in another subsidiary, Mineracao de Ouro de Jacobina Ltda., which was written off in prior years, was sold during the year.
2. No income taxes are payable for the year ended December 31, 1965 under the loss carry-forward provisions of the Federal and Ontario income tax acts.
3. During the year the company took into earned surplus \$10,000 received for granting an option to purchase one of its properties written off in prior years. If the option is exercised before March 26, 1967, an additional \$40,000 is receivable and will be taken into earned surplus as received.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
Q.M.I. MINERALS LIMITED:

We have examined the balance sheet of Q.M.I. Minerals Limited as at December 31, 1965 and the statements of profit and loss and earned surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of profit and loss and earned surplus present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & Co.,
Chartered Accountants.

Toronto, Canada,
February 22, 1966.



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KLUKWAN IRON ORE CORPORATION

Annual Report to Shareholders

for the year ended December 31, 1965

KLUKWAN IRON ORE CORPORATION

Office	311 FRANKLIN STREET, JUNEAU, ALASKA
Mailing Address	P.O. BOX 1121, JUNEAU, ALASKA
Officers	N. C. BANFIELD, <i>President</i> W. J. TOUGH, <i>Vice-President</i> F. M. DOOGAN, <i>Secretary</i> R. BOOCHEVER, <i>Treasurer</i>
Directors	N. C. BANFIELD, Juneau, Alaska W. J. TOUGH, Vancouver, B.C. F. M. DOOGAN, Juneau, Alaska R. BOOCHEVER, Juneau, Alaska DONALD CRADDICK, Juneau, Alaska
Transfer Agent	GUARANTY TRUST COMPANY OF CANADA, Toronto 1, Ontario
Auditor	WILLIAM J. SCHMITZ, JR., 204 National Bank of Alaska Building, Juneau, Alaska
Bankers	THE FIRST NATIONAL BANK OF ANCHORAGE, JUNEAU BRANCH Juneau, Alaska
Attorneys	FAULKNER, BANFIELD, BOOCHEVER & DOOGAN, Juneau, Alaska
Annual Meeting of Stockholders	ROOM 201, 311 FRANKLIN STREET, Juneau, Alaska TUESDAY, APRIL 5, 1966 AT 2.00 P.M. P.S.T.

KLUKWAN IRON ORE CORPORATION

311 FRANKLIN STREET

JUNEAU, ALASKA

Juneau, Alaska,
March 10, 1966

Report of the Directors

The Annual Report of your Corporation, the Balance Sheet and related financial statement for the year ended December 31, 1965, together with the Auditors' Report thereon, are submitted herewith.

PROPERTY

Your Corporation's property consists of magnetite lode and placer deposits situated on each side of Alaska Highway No. 7, twenty-two miles northwest of Haines, Alaska, held as follows:

- 978.59 Acres of patented placer mining claims.
- 507.466 Acres of patented lode mining claims.
- 103.67 Acres in patented H.E. Survey No. 991.
- 869.44 Acres by lease from Indians.
 - 35 Unpatented placer mining claims.
 - 65 Unpatented lode mining claims.

The 65 unpatented lode mining claims are not considered of sufficient value to justify the expenditure of annual labor to keep them in good standing. United States Steel Corporation has excluded them from the lease it holds. In accordance with an agreement with Alaska Iron Company, from which some of the 65 claims were acquired, this Corporation has offered to convey the same to Alaska Iron Company and if the offer is not accepted, the same will revert to the public domain on September 1, 1966.

The University of Alaska has been successful in obtaining permission from Congress to lease the eight claims which have been the subject of a dispute as reported in prior reports. A lease of these claims to this Corporation is being prepared.

LEASE TO UNITED STATES STEEL CORPORATION

United States Steel Corporation holds a lease on all the Corporation's property for a term ending February 27, 2036, subject to termination by the lessee on notice. The mini-

mum royalty at the rate of \$45,000 per year has been received in quarterly installments since the inception of the lease. The proceeds from the lease which are not required for the payment of expenses are deposited in local banks on time certificates of deposit at 4% interest. The directors have no reason to expect any change in income in the near future.

We have no information which would lead us to believe that the lease will be terminated, or that the property will be put in production.

DEVELOPMENT WORK

Assessment work was performed in 1964 by United States Steel Corporation which will keep the unpatented claims in good standing until September 1, 1966. No further development work is required on Indian lands.

VALUE OF SHARES

The Corporation has been requested on several occasions to make offers for shares which the holders desired to sell. In order to offer a market to its stockholders the Corporation has on two occasions offered par value for shares to administrators of estates. One offer was accepted and 4,000 shares of Class B stock were purchased at par of 10¢ per share and converted to unissued shares. The officers have no information regarding the prices at which other shares may have been traded either in 1965 or prior years.

On Behalf of the Board,

N. C. BANFIELD,
President.

KLUKWAN IRON ORE CORPORATION

Balance Sheet — December 31, 1965

ASSETS

CURRENT ASSETS:

Cash in banks	\$163,808.52
Accounts Receivable — Royalty payment	11,250.00
Accrued interest receivable	2,988.00

TOTAL CURRENT ASSETS	\$178,046.52
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MINING PROPERTIES AND DEFERRED EXPENDITURES:

Mining properties acquired for shares of stock of the Company	\$165,000.00	
Deferred development and other expenditures (Note 1)	99,425.02	264,425.02

ORGANIZATION EXPENSES	293.46	
		<u>\$442,765.00</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES — Federal and State income taxes payable	\$ 3,165.00
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STOCKHOLDERS' EQUITY:

CAPITAL STOCK (Notes 3 and 4)

Authorized

8,500,000 Class A Voting Shares, 10¢ par value
500,000 Class B Non-Voting Shares, 10¢ par value
100,000 Class C Voting Shares, \$1 par value

Issued and Outstanding

Class A

250,000 Shares Issued for Mining Properties	\$ 25,000.00	
2,750,000 Shares Issued for Cash	275,000.00	\$300,000.00

Class B

496,000 Shares Issued for Mining Properties	49,600.00
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Class C

90,000 Shares Issued for Mining Properties	90,000.00
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\$439,600.00

\$442,765.00

See Notes to Financial Statements.

AUDITORS' REPORT

Board of Directors
Klukwan Iron Ore Corporation
Juneau, Alaska

Gentlemen:

I have examined the balance sheet of Klukwan Iron Ore Corporation as of December 31, 1965 and the related statement of deferred development and other expenditures for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the accompanying balance sheet and statement of deferred development and other expenditures presents fairly the financial position of Klukwan Iron Ore Corporation at December 31, 1965 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Juneau, Alaska,
January 24, 1966.

SCHMITZ & KLINE,
Certified Public Accountants.

KLUKWAN IRON ORE CORPORATION

Statement of Deferred Development and Other Expenditures Year Ended December 31, 1965

Balance, January 1, 1965		\$140,883.13
Add expenditures for the year:		
Legal and management services	\$ 5,095.16	
Other professional services	636.38	
Printing and office expense	325.84	
Miscellaneous	40.00	
	<u>\$ 6,097.38</u>	
Provision for Federal and State taxes on income	3,165.00	9,262.38
		<u>\$150,145.51</u>
Deduct income for the year:		
Royalties received (Note 1)	\$ 45,000.00	
Interest income	5,720.49	50,720.49
	<u></u>	<u></u>
Balance at December 31, 1965		<u>\$ 99,425.02</u>

See Notes to Financial Statements.

Notes to Financial Statements Year Ended December 31, 1965

1. Under an agreement with Columbia Iron Mining Company dated February 28, 1961, Columbia has leased the Klukwan properties for a period of seventy-five years on a royalty basis, subject to termination. The royalty is based on iron tonnage derived from the ore with an annual minimum of \$45,000 for the first ten years and an annual minimum of \$100,000 thereafter. Columbia has the right during the term of the agreement to purchase the properties for \$10,000,000 less all royalties paid prior to the date of purchase; Columbia also has the right to terminate the agreement at any time on ninety days written notice. Accordingly, the excess of royalty income over expense for the year ended December 31, 1965 has been credited to deferred development and other expenditures.
2. Federal and State income tax losses incurred in the years 1956-1960 have been used to offset royalty and interest income received in the years 1961-1964. The last of these tax losses were utilized in 1965 to partially offset royalty and interest income. No further tax losses are available and all income received subsequent to 1965 will be fully subject to Federal and State income taxes.
3. The company has agreed to issue 10,000 Class C shares, as and when it receives a conveyance of seven lode claims, known as the Simplot Group.
4. Any dividends, as and when declared, must apply to all classes of shares. The dividends on each Class A and Class B share are equal to one-tenth of that on a Class C share.

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Q.M.I. MINERALS LIMITED

7 King Street East
TORONTO 1, CANADA

Handwritten: MERGED IN 1968 WITH INDUSTRIAL MINERALS OF CANADA LTD
TO FORM INDUSMIN LTD

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual Meeting of the Shareholders of Q.M.I. MINERALS LIMITED will be held in the Elizabeth Room, King Edward Sheraton Hotel, Toronto, Ontario, on

Wednesday, the 29th day of May, 1968

at the hour of 2:30 o'clock in the afternoon (Toronto Time) for the purpose of:

1. receiving the Annual Report for the year ended December 31, 1967 which includes the financial statements and the Auditors' Report thereon;
2. electing directors for the ensuing year;
3. appointing auditors and authorizing the directors to fix their remuneration; and
4. to transact such other business as may properly be brought before the meeting.

Enclosed is a copy of the 1967 Annual Report.

A shareholder unable to be present is entitled to be represented by proxy. The enclosed proxy is being solicited by the management of the Company. An addressed envelope is enclosed for the return of the proxy.

DATED at Toronto, this 7th day of May, 1968.

By Order of the Board,

A. C. CALLOW,
Secretary.

Q.M.I. MINERALS LIMITED

INFORMATION CIRCULAR

Solicitation of Proxies

This circular is furnished in connection with the solicitation of proxies by the management of Q.M.I. MINERALS LIMITED to be voted at the Annual Meeting of Shareholders of the Company to be held on Wednesday, the 29th day of May, 1968 in the King Edward Sheraton Hotel, Toronto, Ontario, at 10:30 o'clock in the forenoon (Toronto Time) and at any and all adjournments thereof, for the purposes set forth in the accompanying notice of the meeting. The management does not contemplate solicitation of proxies otherwise than through use of the mails. The Company does not intend to pay any compensation for the solicitation of proxies, but may pay brokers or other persons holding shares in their own names or in the names of their nominees their expenses for sending proxies and proxy material to beneficial owners and obtaining their proxies. The Company will bear all expenses in connection with the solicitation of proxies.

Appointment and Revocation of Proxies

The persons designated in the accompanying form of proxy are officers or directors of the Company. A shareholder has the right to appoint some other person, who need not be a shareholder, to represent him at the meeting and he may exercise this right by striking out the names of the persons designated and by inserting such other person's name in the blank space provided in the form of proxy accompanying this information circular.

Execution of the accompanying proxy will not affect a shareholder's right to attend the meeting and to vote in person. A shareholder who has given a proxy has the right to revoke it at any time insofar as it has not been exercised.

Voting Shares and Principal Holder

The Company's issued and outstanding capital consists of 1,012,020 shares of no par value. Each shareholder is entitled to one vote for each share held at the time of the Meeting.

Falconbridge Nickel Mines Limited beneficially owns 682,436 shares in the Company, representing 67.43% of the presently issued and outstanding shares. No other person is known to the management to own more than 10% of the issued shares.

Election of Directors

The board of directors of the Company is comprised of five directors, to be elected annually, to hold office until the next Annual Meeting, or until their successors are elected or appointed. It is proposed to vote the proxies hereby solicited for the election of the underlisted persons, including directors, whose term of office expires at the meeting. In the event of any vacancy occurring in such slate of nominees, which is not anticipated, it is proposed that discretionary authority shall be granted to vote the proxy for the election of any other person or persons as directors. The management is not presently aware that any such nominee would be unable to serve as a director, if elected. Information concerning the nominees, as furnished by each such nominee, is shown below; certain nominees have been directors of the Company since the year respectively indicated opposite their names below:

<u>Name</u>	<u>Principal Occupation or Employment at present and within the last five years</u>	<u>Director Since</u>	<u>Number of Shares Beneficially Owned</u>
R. Campbell	Since February 1, 1968, Senior Vice-President of Falconbridge Nickel Mines Limited prior to which Executive Vice-President of Falconbridge.	1962	Nil
Norman B. Davis	Consulting Mining Engineer, Ottawa, Ontario.	1958	204

<u>Name</u>	<u>Principal Occupation or Employment at present and within the last five years</u>	<u>Director Since</u>	<u>Number of Shares Beneficially Owned</u>
H. J. Fraser	President and Managing Director, Falconbridge Nickel Mines Limited.	1960	Nil
W. J. Tough	Vice-President, Wesfrob Mines Limited, Vice-President of the Company.	1958	Nil
G. T. N. Woodrooffe	Vice-President Corporate Affairs, Falconbridge Nickel Mines Limited since February 1, 1968, and for more than five years prior to that date Vice-President Finance and Secretary of Falconbridge. President of the Company.	1960	Nil

Remuneration of Management

During the financial year ended December 31, 1967 the remuneration directly paid to directors and senior officers of the Company aggregated \$5,000. There was no cost for 1967 to the Company for pension benefits proposed to be paid under normal pension plans in the event of retirement at the normal retirement age of directors and senior officers.

Appointment of Auditors

It is intended that proxies given pursuant to solicitation by management will be voted in favour of the re-appointment of Messrs. Clarkson, Gordon & Co., as auditors of the Company, to hold office until the next Annual Meeting of Shareholders.

General

The accompanying form of proxy, when properly signed, confers discretionary authority with respect to amendments or variations of matters identified in the accompanying Notice of Meeting and other matters which may properly come before the meeting. The management of the Company is not aware of any amendments, variations or other matters to be presented for action at the meeting. All shares represented by proxies will be voted.

Toronto, Ontario,
May 7, 1968.

